UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/1994/41/Add.2
12 April 1994

ORIGINAL: ENGLISH

Second regular session 1994
10-13 May 1994, New York
Item 5 of the provisional agenda

COUNTRY, INTERCOUNTRY AND GLOBAL PROGRAMMES

Mid-term review of third country programme for China

Report of the Administrator

SUMMARY

The mid-term review of the third country programme for China, conducted between March and November 1993, was a comprehensive exercise dedicated to assessing the impact and cost-effectiveness of the country programme. The Government and UNDP worked in close cooperation at all stages of the exercise. United Nations specialized agencies and key bilateral donors participated in the mid-term review meeting.

The mid-term review considered the relevance of the country programme and its effectiveness in addressing priority thematic areas. The review also focused on operational issues, including the programme approach, national execution, monitoring and evaluation of the new support costs arrangement, as well as aid coordination and resource mobilization.

The review confirmed that the country programme had responded well to evolving national priorities and had achieved a sharper focus than originally foreseen in the country programme document. It recommended that while the original five areas of concentration be maintained, the remainder of the country programme give priority to economic reform, poverty alleviation and environment/sustainable development. The review also resulted in specific recommendations to ensure maximum impact and enhance cost-efficiency.

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I. THE MID-TERM REVIEW PROCESS

1. The mid-term review of the third country programme for China was designed to allow a close examination of what the United Nations Development Programme (UNDP) technical cooperation programme has achieved in China and how its impact could be further enhanced. Besides serving the role of reporting to the Member States, the review has also played an essential management role at the country level in the collaboration between the Government and UNDP as well as with other donors. The results cover adjustments and improvements ranging from the orientation of the country programme to concrete operational issues. The value of the mid-term review process and its concrete products have by far exceeded expectations.

2. The process commenced in March 1993 and culminated with the formal mid-term review meeting from 29 to 30 November 1993. Unless otherwise indicated, the information provided in the present report is as of 31 October 1993. The initial step was the preparation of issues papers by 15 working groups comprising a large nmber of staff from the Government and the UNDP office in Beijing. Specialized consultants financed from Special Programme Resources (SPR) supported the working groups thematic assessments. Papers prepared by each group were discussed in meetings between the Government and UNDP management and staff to reach a common understanding of key issues and actions to be taken. This, together with comments from UNDP headquarters, formed the basis for the finalization of the joint issues paper. Participants in the mid-term review meeting included representatives of the Government (the Department of International Trade and Economic Affairs (DITEA) and the China International Centre for Economic and Technical Exchange (CICETE)), UNDP, United Nations executing agencies and leading multilateral and bilateral donors.

3. With regard to the focus of the review, an overall impact assessment was carried out to determine the relevance of the third country programme against the evolving national goals and priorities. A detailed review was then made of how well the six areas of focus specified in Governing Council decision 90/34 had been reflected in the programme. A review of programme management issues covered new initiatives by the Governing Council, such as national execution, the programme approach and the successor arrangements for support costs. Other major issues related to monitoring and evaluation and operations. Finally, the important and increasingly integrated work on aid coordination and resource mobilization was a key aspect of the review.

4. The review of programme impact and achievements led to specific recommendations on priorities for the future and on measures to ensure maximum impact. The review of programme management issues resulted in recommendations aimed at improved cost-efficiency. The implementation of most recommendations commenced immediately on finalization of the joint issues paper while some had to await formal decisions of the mid-term review meeting. The Government and UNDP have jointly embarked on a programme to ensure the systematic implementation of all recommendations derived from the review exercise.

II. PROGRAMME ACHIEVEMENTS

A. National development goals and third country programme priorities to date

5. The third country programme was formulated in 1990 as a framework for UNDP assistance during the 1991-1995 period. It should be seen against the backdrop of China's policy of reform and opening to the outside world, which have yielded impressive social and economic results since 1979 and also against the economic rectification programme, which was in force at the time of formulation and approval of the programme in 1990-1991. In 1992, the second year of the programme, there was a major change in the economic policy climate with a very strong push towards a market economy and an unprecedented increase in gross national product (GNP) and industrial output. Economic reform continued in 1993, albeit under tighter macro-economic control.

6. At the mid-point, it can be concluded that the third country programme, as originally formulated, has responded remarkably well to the evolving national priorities. Adjustments have been made especially to respond more effectively to requirements associated with the quickened pace of economic reform. In this process, UNDP has assumed a more strategically important role in policy areas of critical importance to China's socio-economic development. Assistance included capacity-building in policy formulation and implementation related to the macro-management of the economy, the drafting of essential laws and the restructuring of the Government to enable China to play a new role in the socialist market economy. There has also been increased emphasis on the social, economic and environmental consequences of the market-oriented reforms and a new openness in accepting international assistance dealing with issues such as poverty alleviation, HIV/AIDS and disaster relief and rehabilitation.

7. In the field of environment, there is a significantly changed emphasis in priority, compared with what was anticipated at the time of formulating the country programme: China has become a forerunner in its national follow-up of the United Nations Conference on Environment and Development (UNCED) and Agenda 21. UNDP supports the preparation and implementation of the National Agenda 21 Strategy with Capacity 21 funding, and global and national environmental protection concerns, increasingly through funding from the Global Environment Facility (GEF) and the Montreal Protocol funding.

8. The country programme identified 20 programmes for UNDP assistance within five areas of concentration (see table 1). It also introduced the concept of multisectoral themes being mainstreamed in programmes. Five major themes were selected (see paragraph 17).

Table 1. Focus of the third country programme (including IPF and cost-sharing)

Area of concentration	Original target (%)	Approved (%)	Approved and hard pipeline (%)
Rural economic production	30	28	29
Energy, transport and communications	20	29	27
Industrial productivity and profitability	25	20	18
Social development and quality of life	15	10	12
Economic reform and public administration	10	13	14

B. Programme concentration

9. In response to concerns expressed by the Governing Council, the Government and UNDP, the third country programme was designed to have greater focus than previous country programmes for China. In spite of this, in approving the programme, some Council members voiced concern that in view of its 20 programme areas it was not sufficiently focused. The process of programme identification and appraisal has resulted in further concentration compared with the original plan: only 13 of the 20 programmes have been approved. Programmes that could not be developed as planned, mainly because of lack of funds but partly owing to changed national priorities, include: water resources, energy efficiency, industrial materials, labour markets/social security and environment. Greater focus has also been possible by exercising discipline in the approval of free-standing projects in support of programme objectives: 30 free-standing projects have been approved to date compared with 214 projects in the second country programme.

10. The distribution of funds between the areas of concentration is for the most part close to the original targets. Taking only approved programmes and projects into account, the energy, transport and communications area and the economic reform area exceed their targets. This is in line with national priorities and has been underscored by significant Government cost-sharing to the coal and telecommunication programmes. Rural economic production receives the largest funding but is currently somewhat below target. The industry area has seen significant reductions compared with the targets, largely owing to the availability of commercial flows of technology as an alternative to UNDP assistance. The social development area has been disproportionally hit by the indicative planning figure (IPF) reduction, primarily as a result of the slowness in formulation of key programmes. This area therefore needs to be targeted for remaining IPF funds and resource mobilization.

11. Concentration of UNDP resources is also achieved through focus on a smaller number of larger interventions, much more so than in the second programme

although a straightforward comparison is not possible because of the introduction of the programme approach. None the less, it is evident that UNDP financial resources and staff have more focus in the third programme. The current challenges, however, are (a) the lack of resources, which now tends to lead to the formulation of smaller projects, and (b) the many projects remaining from the second programme that need to be closed in 1993 and 1994. The total number of operational IPF-funded programme elements and projects is currently 173. Some 75 of these will be closed in late 1993 or early 1994. Meanwhile, there will be a few new approvals of IPF and cost-sharing projects and a significant increase in projects funded by GEF and the Montreal Protocol, leaving the total number at around 125 by mid-1994.

C. Programme delivery and resources use for priority programming

12. The 25 per cent withholding of IPF has had serious consequences on implementation. As can be seen in table 2, the programme is currently overcommitted by $12.3 million for the programming period, i.e. through 1995 (or $18.5 million if the pipeline is taken into account, see annex I). As the requirements have exceeded the available resources, the following measures have been taken over the past 12 months:

(a) Reduction of the pipeline to a hard core of priority interventions (with minimum UNDP funds intended as seed money to attract cost-sharing from other donors whenever possible) and delayed approval of new projects;

(b) Termination of long-running projects from the first and second programmes to release unutilized resources.

13. A closer scrutiny of the commitments reveal heavy front-loading of the programme in 1994 and 1995 with only $6.3 million currently budgeted for 1996 and beyond. As a comparison, $50 million of first and second programme projects were carried over into the third programme period at its inception - an amount which then increased to $68 million as a result of slippage and budget increases. Based on the principle of dynamic programming, it has been agreed that an amount of $35 million of IPF commitment extending into the fourth programming period would be prudent in order to permit responses to key development priorities. Financially, the goal should be to ensure complete delivery of the fourth cycle IPF for China, at the 75 per cent level. There are, however, two necessary conditions for additional programming: (a) that the overall UNDP resource situation does not further deteriorate and (b) that selected ongoing projects be extended to give room for expenditures in 1994-1995 under newly approved projects.

Table 2. IPF resource situation (as of 31 October 1993)

(in millions of dollars)

	IPF allocation for third programme period (1991-1995) (a)	Approved projects (1991-1995)			Resources available for programming (a) - (d)
		First and second programme projects (b)	Third programme projects (c)	Total commitments (d)	
Entitlement (75%)	152.8	68.0	97.1	165.1	(12.3)

14. Other significant funds mobilized to supplement IPF resources include Government cost-sharing ($22.7 million compared with the original target of $18.5 million for the entire programme period); third-party cost-sharing and trust funds for disaster relief and rehabilitation ($17.1 million); GEF ($15.1 million); Montreal Protocol ($2.6 million); and SPR ($2.3 million), totalling $37.1 million. In particular, GEF and the Montreal Protocol are expected to contribute significant additional resources to China in the future.

15. The pipeline includes a large number of high-priority project proposals that present excellent opportunities for cost-sharing or other non-IPF funding. Since the tight resource situation will not ensure adequate funding, increased impetus has been placed on resource mobilization. The management of UNDP, CICETE and DITEA must redouble their efforts to mobilize resources (see IV below). Experience to date indicates that resource mobilization among China's main bilateral donors will be challenged by a growing tendency to reduce highly concessional funding for development purposes in favour of commercial credits of mutual benefit.

16. For the remainder of the programme, all UNDP technical cooperation should be compatible with, and indeed supportive of, China's transition to the socialist market economy. Within this framework, priority will continue to be given to assistance concentrated in the categories of economic reform, poverty alleviation, and sustainable development. Technology for development will continue to be part of selected programmes and projects, as appropriate, but with Government or third-party cost-sharing provided for equipment. In order to ensure maximum leverage with available resources, emphasis will be placed on upstream policy-oriented assistance in current priority areas identified by the Government.

D. Programme effectiveness and impact

17. In pursuance of Governing Council decision 90/34, the third country programme document introduced the concept of multisectoral themes permeating the areas of concentration and contributing substantially to the achievement of programme objectives. Thus, the themes should not be seen as a way of classifying UNDP assistance but as a way of achieving and measuring impact throughout the programme. The multisectoral themes are:

(a) Management and administrative performance;

(b) Environment and sustainable development;

(c) Poverty alleviation;

(d) Women in development (WID);

(e) Technical cooperation among developing countries (TCDC).

18. These five themes correspond to those of Governing Council decision 90/34, requiring UNDP to focus on building national capacity in six areas of focus. The sixth theme, transfer and adaption of technology for development was not included as a multisectoral theme in the programme document but is very much part of the programme. Another theme covered by the programme and one on which the Governing Council has placed increasing emphasis is AIDS/HIV control and prevention.

19. The mid-term review assessed how well these broad themes identified by the Governing Council have been interpreted in the national context and integrated or mainstreamed into the programme. It should be noted that the themes are not mutually exclusive. On the contrary, they are often intertwined and programmes that exploit mutually supporting themes are bound to have the greatest overall impact. For example, the Poverty Alleviation Programme has been fortified by integrating women-in-development and environmental dimensions in the design. The Coal Programme successfully integrates the technology and management themes with the environment theme. The review therefore considered most programmes and projects from the perspective of multiple themes.

1. The management theme

20. As an area of concentration in the third country programme, economic and public administration reform has clearly been placed at the fore of China's transition to a socialist market economy. UNDP assistance covers capacity-building in policy-making and implementation, working with all leading macroeconomic institutions in the central Government and with selected provincial and municipal authorities. Key activities include economic legislation, State-owned enterprise reform, tax reform, social security, civil service reform and Government restructuring to meet the requirements of the market economy. As the success of China's policies depends largely on precisely these macroeconomic and public administration management capacities, the ultimate programme impact is likely to be significant. UNDP assistance has

already had an impact on legislation, civil service reform and Government restructuring, to name the most significant examples. Thus, one of the most successful technical cooperation projects in China has, in the first two years of operation, resulted in 17 new economic laws and improved national capacity in legislative drafting.

21. Traditionally, projects in sectors such as agriculture, industry and health have tended to have a technological basis with little attention paid to improving related management capabilities. All programmes now include a management component, reflecting UNDP efforts to move beyond traditional technology-based projects and to stress more effective sector-level policy formulation, planning, coordination and information management. None the less, the emphasis on unit-level management capacity-building in projects should be further enhanced to improve the chances of sustainable impact.

22. High-priority project areas in the pipeline that would require collaboration with other donors to ensure maximum impact include additional legislation related to the market economy, training of senior judges, social security legislation and administration, enhancement of fair market practices, and improved regulation of securities and futures markets.

2. The environment and sustainable development theme

23. The third country programme contains an ambitious programme which, if effectively implemented, will have a substantial impact on sustainable development in China. Several IPF programmes with major environmental components are under implementation in the key sectors of energy, agriculture and forestry. UNDP is working with SPR funds to help prepare and implement China's Agenda 21; is responsible for four GEF pilot-phase projects dealing with the abatement of greenhouse gas emission and bio-diversity protection; and has taken the lead in assisting China with its Montreal Protocol country programme for phasing out ozone-depleting substances. Non-IPF programmes will increasingly exert more influence with the growth of these funding sources.

24. Approved IPF programmes and projects fall into two categories with regard to their long-term impact on environment and sustainable development. They include: (a) major IPF initiatives, designed to ameliorate symptoms of environmental degradation and having a positive impact on the environment but which should be adjusted for greater sustainable development impact in view of their traditional design (e.g., the Coal, Forestry and Food Production programmes); and (b) programmes and projects ideally suited to support sustainable development, which should be adjusted to address this issue more effectively (e.g., certain economic reform and education initiatives). Steps have already been taken to address these shortcomings.

25. Projects that could not be fully funded by UNDP present opportunities for funding from bilateral or other sources. There is a long list of possibilities, including projects on energy policy and conservation, environment legislation, water resources, rural enterprises (Townships and Village Enterprises (TVEs)), etc. Some of these could obtain funding from the globally oriented environment funds whereas others are more national in nature and require regular

multilateral or bilateral funding. A donor round-table meeting is scheduled for the summer of 1994 to present China's national Agenda 21 and a large number of projects for which China seeks international cooperation.

3. The poverty alleviation theme

26. In China, UNDP has increasingly selected area-based, comprehensive, participatory and replicable programmes for poverty alleviation as opposed to subsectoral interventions tackling only one aspect of the poverty situation. This is the approach taken in the recently approved Poverty Alleviation Programme in South-West China. There is a need for collaboration among the various United Nations specialized agencies and bilateral donors to maximize the impact of poverty programmes. UNDP, the World Food Programme (WFP), the Food and Agriculture Organization of the United Nations (FAO), the United Nations Children's Fund (UNICEF) and the International Labour Organization (ILO) have worked together in the formulation of the South-West China Poverty Programme and all Joint Consultative Group on Policy (JCGP) partners will contribute funding. UNDP has also promoted participatory approaches to poverty alleviation in a major national policy workshop, organized with the World Bank and using SPR funds for policy research.

27. Several programmes and projects have great potential for poverty alleviation and will, if successfully implemented, strengthen the UNDP contribution to human development in China. Some programmes have been identified for reorientation in order to have greater impact. Notable examples are the Seed Breeding Programme, the Semi-arid and Arid Programme and Training Managers for Economic Development in Poor Areas.

28. Poverty alleviation should not be separated from the mainstream of development strategy and public policy. On the contrary, sectoral policies and regulations often have a profound impact on people's social and economic conditions. UNDP should therefore become more involved in policy-oriented assistance and dialogue as it pertains to poverty. This includes dialogue with the Government on the consequences of economic reform for the population of rural as well as urban areas.

4. The women-in-development theme

29. The third country programme embraces the principle that UNDP and CICETE should consider how women participate in and are affected by development. Since the approval of the third programme, the rapid economic reform process has put greater pressure on women in Chinese society. However, mainstreaming WID issues has proven a major challenge and opportunities to promote WID have been missed in some cases. Decisive steps are needed to ensure positive WID impact more consistently. UNDP assistance in legislative drafting, HIV/AIDS, nurse training and semi-arid and arid agriculture provide good design examples.

30. The number of women beneficiaries of training abroad has shown a disturbing downward trend in the third country programme period, falling to only

14 per cent of the total in 1992 from a high of 20 per cent in 1990. Strong measures must be taken by UNDP and CICETE to reverse this trend.

31. When projects are formulated, project design choices should be made on the basis of examining a gender-desegregated picture of the related social and economic factors. The use of reasonable and achievable gender targets should be encouraged in project formulation. Simple gender profiles of institutions directly involved in projects are a prerequisite for achieving this.

32. UNDP assistance is required, in collaboration with other donors, to support the All China Women's Federation, other non-governmental organizations (NGOs) and the Government in their efforts for the Fourth World Conference on Women and the Women's NGO Forum to be held in Beijing in 1995.

5. The TCDC theme

33. Although TCDC is an important priority for the Government, only limited impact of this modality can be seen as yet in the programme and systematic effort is required for its fuller integration. Some results have been achieved in mainstreaming TCDC through information exchange with other countries under a few projects, especially in the field of administrative and economic reform. The newly approved AIDS/HIV programme is another example of an area that will have greater impact because of TCDC exchange.

34. It is recommended that the TCDC project currently under formulation be coordinated as part of China's technical cooperation programme with developing countries and directed towards building national capacity for TCDC, by focusing on the following principles: (a) developing a sustainable TCDC programme building on or leading to economic cooperation among developing countries (ECDC) within the areas of concentration and (b) concentrating on China's neighbouring countries (including the Commonwealth of Independent States and the Asia-Pacific region), given the marginal results historically from TCDC missions to other regions.

6. The transfer and adaptation of technology for development theme

35. UNDP assistance was heavily oriented towards technology in the first two country programmes, normally in the form of capacity-building of research and development institutes, reflecting priorities and needs prevailing at that time. Recent evaluations of completed projects indicate that their impact has been mixed, largely because of the rapidly changing external environment within which research and development institutes operate in the transition to the market economy.

36. While still prioritizing capacity-building in advanced technology areas, the third country programme gives more emphasis to the effective management of the diffusion of technology to end-users in industry and agriculture. This reflects the new research and development and economic environment in China.

The most significant activities include programmes dealing with coal utilization, telecommunications, machine tools and seed breeding.

37. Strategic forms of assistance such as trade and investment facilitation are still not adequately utilized although there are successful examples of investment promotion in collaboration with UNIDO and in a project supporting China's re-entry into the General Agreement on Tariffs and Trade (GATT). UNDP should seek innovative ways of supporting commercial flows of technology into and within China.

38. Certain areas have become important Government priorities as a result of the reforms, such as commercialization of science and technology, for example, through the establishment of technology markets, new funding mechanisms such as venture capital, intellectual property rights, military conversion, foreign investment in research and development and technology export. These areas could receive more attention in the country programme and should also be considered for inclusion in subsequent programming.

39. The rapid pace of economic reform will undoubtedly increase tensions between economic development and environmental issues. Technological change can help to ensure adequate economic growth that is sustainable and environmentally sound. GEF and the Montreal Protocol will provide additional resources for upgrading and applying new technologies to address key environment problems.

7. The HIV/AIDS control and prevention theme

40. UNDP interventions in this field have included workshops on the medium-term plan and on subregional cooperation as well as the approval of a technical cooperation project. China has the advantage of being at an early stage of the pandemic and should be able to benefit from lessons learned in other countries. The project covers the sensitization of Government leaders, support to national policy development and review, training at national and provincial levels, and demonstration activities.

41. Areas where better integration of this theme may be possible include the UNDP Nurse Training and Education programmes, and a project initiated in the second country programme in the tourism sector.

42. UNDP and the World Health Organization (WHO) should continue to organize meetings with multilateral and bilateral donors to coordinate aid and mobilize external resources. Increased resources, both human and financial, will be required. Coordination between UNDP subregional and country activities is also essential. It is also necessary for China to collaborate with neighbouring countries on joint actions to control the spread of HIV/AIDS in border areas.

III. PROGRAMME MANAGEMENT

A. National execution

43. China has long experience with many successes and is indeed a pioneering country with regard to national execution. The Government has moved vigorously towards almost full national execution in the third country programme - 93 per cent of all programmes and projects are currently under overall national execution, as table 3 shows. It has been a rapid transition and CICETE has worked hard to keep pace with the requirements of a sharply accelerated national execution programme within largely existing staff resources.

Table 3. National execution

Period	Budget (Millions of dollars)	Share of total (per cent)
CP1 (1981-1985)	12.3	18
CP2 (1986-1990)	62.1	42
CP3 (1991-1995)	117.1	66
CP3 projects only	91.7	93

44. The pressure on the implementation of the country programme has been exacerbated by the low level of United Nations agency involvement in programmes and projects. Only an estimated 10-15 per cent of national execution budgets are implemented by United Nations agencies. The new technical support role of United Nations agencies has been difficult to define and concerted effort is required to take advantage of the expertise of United Nations agencies in national execution (see also sect. III.C).

45. CICETE has gained considerable experience in its coordinating role and in mobilizing project inputs, especially in equipment procurement, and has recently made significant progress in financial management. Further capacity-building is required in: programme and financial management; implementation of personnel, training and subcontract components; and monitoring and evaluation.

46. The division of functions and responsibilities among the UNDP field office, CICETE as executing agency and Government implementing agencies is often unclear. Implementation bottlenecks have occurred as a result of this confusion and the roles must be better defined. Preliminary studies have been carried out but it is now time to establish a joint action plan to remedy this situation.

B. The programme approach

47. A pioneering effort has been made to implement the programme approach in China, even before the formal instructions from the Governing Council. Thirteen programmes have been approved and there has been a progression towards implementing the programme approach. Major challenges have been faced at the country level in the transition from a traditional project approach and in developing appropriate methodologies. The key advantages of the programme approach have been demonstrated in the sharper focus on national priorities and plans, in the concentration of UNDP assistance, and in simplified monitoring by UNDP and CICETE.

48. The underlying premise for the programme approach - the focus on priority national development objectives and concentration of UNDP resources for maximum impact and cost-effectiveness - is beyond reproach. A determination of the practical implications of the programme approach requires careful analysis in three respects: identification and formulation of programmes leading up to approval; management and implementation of programmes during their life; and impact and cost-effectiveness, which can only be determined upon the completion of programmes. The mid-term review has analysed the formulation stage and early management and implementation experiences.

49. Implementation of the programme approach in China has required a considerable input of UNDP and CICETE staff time. Most programmes have had multiple formulation missions and the length of the formulation process in the field and the approval process in headquarters has usually been extensive. This is partly due to inexperience with the approach and the initial lack of clear guidelines and partly due to the greater complexities of programme rather than project support. Coordination between different Government agencies has been especially demanding.

50. Principles and pre-conditions for the programme approach that have been agreed upon between the Government and UNDP include: the existence of a national programme; the need to adapt and use the programme approach flexibly, depending on the requirements of the national programme and the subsector; and the essential function of good programme management.

51. UNDP cooperation in China will not be only in the form of programme support. In certain cases, project support will remain appropriate. The preparations for the fourth country programme should include:

(a) A review in late 1994 of the experience with the programme approach in order to determine its advantages and disadvantages;

(b) Programming focused on the identification of a few key national programmes where the programme approach is the most effective vehicle for UNDP assistance.

C. The new support costs arrangement

52. The new support costs arrangement forms part of a larger initiative by the Governing Council along with national execution and the programme approach, all aimed at improving the effectiveness and efficiency of UNDP assistance. The China field experience with the arrangement is limited but it can already be concluded that all partners have experienced difficulties. Agencies feel that they are not adequately compensated, especially in their TSS-2 role, and often find it difficult to field sufficiently long monitoring missions. For UNDP and the Government, initial TSS-2 experience is not entirely positive or encouraging and it seems that TSS-2 provides at best a partial answer to the need for the technical monitoring of programmes and projects. The new system provides a disincentive for agency involvement in implementation as Administrative and Operational Services (AOS) resources can be saved for subsequent programming purposes.

53. The support cost arrangements cause the following operational difficulties:

(a) Overall management of the support costs system, substantive and financial reporting by the agencies, and the use of savings for programming, where guidelines are unclear;

(b) With its limited resources, TSS-1 is inadequate for complete sectoral studies in a country the size of China;

(c) Because of the specific technical nature of TSS-1 and TSS-2, United Nations agencies should be permitted and obliged to recruit international or national consultants, as necessary;

(d) Calculation of AOS in project revisions is time-consuming;

(e) Covering of TSS-2-related travel costs from the IPF project budgets is not considered logical and limits the interest of the Government in TSS-2 services.

D. Monitoring and evaluation

54. Full compliance with UNDP formal regulations on monitoring and evaluation is difficult to achieve because of the large number of projects. For example, only some 70 tripartite meetings could be held annually with existing staff resources. The greater concentration of UNDP resources through the introduction of programmes and the continuing reduction of free-standing projects has, however, already improved and will further improve the intensity of monitoring. Compliance with in-depth evaluation requirements has traditionally been low, though it has improved through mounting more thematic, sectoral and cluster evaluations -a process for which the programme approach is well suited. During the third country programme period, 42 projects have already been evaluated and the evaluation findings incorporated in the mid-term review.

55. There has also been considerable progress in the design of programmes and projects with more clearly defined objectives and outputs. Approaches used to

increase the impact of assistance include: (a) a new and deliberate output orientation, including, for example, actual plans, laws and implementation of reforms as programme and project outputs and (b) the possibility of catalytic effects from disseminating project results and developing long-term capacity to make management-related improvements. The education programme provides a very good example of benchmarks for monitoring and is worth emulating. In commenting on the joint issues paper, UNDP headquarters recommended further emphasis on baseline data in order to be able to carry out more extensive impact assessments upon the conclusion of programmes and projects.

56. The switch to the programme approach is a major challenge with respect to monitoring and evaluation. There are potential advantages of programmes, especially regarding impact analysis. To this end, the use of TSS-2 and other mechanisms need further experimentation.

57. Under national execution, the monitoring and evaluation capacity of CICETE must be greatly strengthened for it to carry out its execution responsibilities. Procedural changes are also needed to improve reporting practices under nationally executed projects.

E. Operational issues

58. Project management. Weaknesses still exist in such areas as work planning, reporting and financial management. The respective roles of UNDP, CICETE and the National Project Director must be clarified, bearing in mind the general trend of decentralization in China, as well as the new role of the United Nations specialized agencies under national execution.

59. Changes in input mix. The budget share for consultants has increased over time. Training has seen a decrease in study tours from 1992 onwards, a trend which should be encouraged. In addition, the equipment component financed under the IPF has been significantly reduced over the years with Government cost-sharing increasingly picking up costs for technology acquisitions under both the equipment and subcontract components.

Table 4. Changes in input mix (including cost-sharing)

(in percentages)

	Personnel component	Subcontract component	Training component	Equipment component	Miscellaneous component
Second programme period	16	13	26	44	1
Third programme period a/	23	15	29	31	1

a/ Budget allocation for 1993-1995.

60. Input delivery:

(a) Almost all consultant missions were short-term, some too short to be cost-effective. Terms of reference were often too general and mission preparations could be very much improved. CICETE found it difficult to keep pace with increasing rates for international consultants specialized in certain fields and this may have resulted in some second-rate choices.

(b) Organizing training can be time-consuming and delays are often encountered because project authorities are unfamiliar with procedures. Study tours should be kept to a minimum in line with recent central Government directives; the incremental value of adding study tour participants is generally low.

(c) Variable performance was found in equipment procurement and installation; underutilization of equipment was a problem in a few cases, raising issues of cost-effectiveness and impact.

61. Short-Term Advisory Resources (STAR), Transfer of Knowledge through Expatriate Nationals (TOKTEN) and the United Nations Volunteers (UNV). The STAR/TOKTEN concept is cost-effective and appreciated by the recipients because of its flexibility, straightforward procedures and problem-oriented nature. The more than 300 volunteer consultants engaged annually have made significant contributions to conferences and training activities. The UNV programme is rather small and still too confined to English language training, in which UNDP has little comparative advantage. Greater efforts must be made to integrate both STAR/TOKTEN and UNV better into mainstream programmes and projects.

IV. AID COORDINATION AND RESOURCE MOBILIZATION

62. Aid coordination is taking on increasing importance following the General Assembly's call for greater United Nations system coordination. For UNDP, resource mobilization has become essential to compensate for shortfalls in regular IPF funding. Here, too, there is a key role for the Government and efforts should be made to strengthen the involvement and capacity of CICETE and DITEA in this respect. The United Nations system must work closely with the Government on issues of aid coordination and resource mobilization.

63. In compliance with General Assembly resolution 47/199 of 22 December 1992, UNDP is focusing aid coordination efforts on preparatory work for a country strategy note and on the establishment of sectoral working groups, comprised of United Nations agency and donor representatives. The United Nations system will work with the Government and take steps to ensure that the activities of the working groups are driven by priorities as identified by the Government. The major challenge of aid coordination and United Nations system coordination in China lies in the institutional arrangements on the Government side. Bilateral and multilateral agencies report to many different ministries and there is no coordinating mechanism for foreign assistance within the Government.

64. A series of donor round-table meetings has been designed to focus on specific development priorities (HIV/AIDS, women in development, poverty alleviation and sustainable development). These meetings stimulate donor focus, collaboration, and possible cost-sharing on activities central to the implementation of the third country programme, and are of importance to the entire donor community and to China.

65. Aid coordination and resource mobilization are very much affected by the diversifying resource base of UNDP in China. Since the inception of the UNDP programme in China, the regular (i.e., IPF) budget has provided the major pillar of support for UNDP activities. Non-IPF funds for the third programme period represent an increasing share, which is currently about 25 per cent of the IPF commitment.

V. KEY CONCLUSIONS AND RECOMMENDATIONS OF THE MID-TERM REVIEW MEETING

66. The mid-term review meeting adopted the joint issues paper and endorsed its conclusions and recommendations, noting that action had already been taken in many instances. The following conclusions were highlighted:

(a) The third country programme had responded well to key national priorities and had demonstrated a sharper focus compared with the original country programme document;

(b) With regard to the various multisectoral themes identified by the Governing Council, a thorough analysis of successes and challenges in mainstreaming them had resulted in specific recommendations for improvement in each thematic area;

(c) While maintaining the original five areas of concentration, new programmes and projects in the remainder of the programme should give more attention to economic reform, poverty alleviation and environment/sustainable development;

(d) A Government-UNDP task force should be created to develop and implement an action plan for strengthened national execution through programme management capacity-building and a clearer definition of the roles of the Government, UNDP and the United Nations specialized agencies;

(e) A separate task force with the United Nations specialized agencies should be created to review their role under the support costs arrangement and to make recommendations to UNDP headquarters for any adjustments to the arrangements deemed desirable;

(f) The programme approach should be based on national programmes and be applied flexibly, depending on the specific requirements;

(g) With regard to programme monitoring and evaluation, there was room for further improvement, especially with regard to the development of baseline data and benchmarks for impact assessment; a proposal to use SPR resources for this purpose was endorsed;

(h) The 25 per cent withholding of the IPF had reduced the overall impact of the programme and maximum efforts should be made to mobilize additional resources in order to respond dynamically to evolving national technical cooperation requirements;

(i) New approval of IPF projects should be made to ensure full delivery of IPF entitlements in the 1992-1996 funding cycle and an encumbrance of $35 million beyond the programming period, i.e., for after 1996.

Annex

FINANCIAL SUMMARY

I. RESOURCES

	$	$
A. Resources available for country programme period		
IPF		152 796 000
Estimated cost-sharing		22 914 000
Total		175 710 000 a/
B. Commitments		
Approved programmes/project budgets b/		
Approved and allocated IPF	165 086 000	
Approved and unallocated IPF	-	165 086 000
Approved and allocated cost-sharing	22 714 000	
Approved and unallocated cost-sharing	-	22 714 000
Pipeline programmes/projects		
IPF	6 439 000	
Cost-sharing	200 000	6 639 000
Total		194 439 000
C. Balance of resources available for further programming		
IPF		(18 729 000)
Cost-sharing		-
Balance of resources available		(18 729 000) c/

a/ Compared to the $189 988 000 originally anticipated for the third country programme; the reduction results from the 75 per cent IPF programming limitation.

b/ "Approved and allocated" refer to those programmes and projects approved by the Action Committee or Bureau PAC for which there exist detailed, signed documents and budgets. "Approved and unallocated" represent the balance of funds available to the programme or project which have yet to be reflected in specific budget lines.

c/ This figure represents the net balance of IPF and cost-sharing resources available plus joint programme funding less approved and allocated/unallocated IPF and cost-sharing funding less pipeline IPF and cost-sharing.

II. PROPOSED (P) AND ACTUAL (A) ALLOCATION OF RESOURCES BY AREA OF CONCENTRATION

(Thousands of United States dollars)

Area of concentration	First and second programme projects		Third programme projects							
			IPF		Cost-sharing		Total		Percentage of total	
	IPF	Cost-sharing	(P)*	(A)	(P)*	(A)	(P)*	(A)	(P)	(A)
Rural economic development and production	12 636	730	30 739	26 496	2 256	2 256	32 995	28 752	29	28
Energy, transport and communications	15 023	2 130	19 803	19 103	10 728	10 728	30 531	29 831	27	29
Industrial productivity profitability	10 269	3 482	20 528	19 528	467	267	20 995	19 795	18	20
Social development and quality of life	11 029	631	13 154	10 154	375	375	13 529	10 529	12	10
Economic and administration reform and management	11 211	1 442	14 765	12 165	655	655	15 420	12 820	14	13
Multisectoral projects	7 810	18	10 558	9 662	0	0	10 558	9 662	0	0
Total	67 978	8 433	109 547	97 108	14 481	14 281	124 028	111 389	100	100

* (P) Including approved commitments (1991-1995) and pipeline (1993-1997).

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III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES

		At start of country programme	At time of MTR
		$	$
(a)	UNDP-administered funds (SPR)	-	-
(b)	Other United Nations resources	-	2 278 199
(c)	Non-United Nations resources		
	Third party cost-sharing and trust fund for emergency and rehabilitation		17 134 125
	GEF		15 080 000
	Montreal Protocol		2 620 000
	Parallel funding		665 500
	Total	-	37 777 824